

**MINUTES OF SPECIAL MEETING
OPEN SESSION
October 16, 2009
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Friday, October 16, 2009 a Regular Meeting of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Friday October 16, 2009 at approximately 10:00 a.m. the following Board Members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, and Joseph Moore. At 10:10 a.m. on Friday October 16, 2009, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1) and (14) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Personnel matters; and**
- 2. Investigations concerning applicants and licensees.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in closed session until approximately 10:20 a.m. The Board went into open session at 10:30 a.m.

CHAIRMAN'S REPORT/COMMENTS –

Today we are going to deal with Emergency Rules pertaining to video poker.

Our staff and our legal department worked overtime and did a tremendous job in getting these rules together and I thank them for their efforts. I always marvel at how willing our staff is to put in that extra effort and those extra hours when needed.

I must caution you however to the fact that our emergency rules are incomplete because what was legislated is no way a minor change in the law. What was legislated was the creation of a new industry – the Video Gaming Industry – which when completed will be the largest video gaming industry in any state in the union and possibly the world.

This law will require that we install a mammoth main frame computer to monitor thousands of gaming machines all over the state. This main frame computer will feed to us instant information on everything that is going on in and with each and every machine. From our mainframe we should be able to shut down any and all machines that we find fault with. Because of the law we will be required to issue thousands and thousands of licenses to persons or companies having contact with those machines. That means thousand and thousands of background checks.

We will create an accounting system and an auditing system whereby the state will collect their tax money as soon as possible from each and every machine and location.

The list of things required to be done go on and on and are numerous. Especially since we will be the largest state having this industry within our borders.

Until we have a handle on all of the bridges that we have to cross we cannot complete the rules without having holes in our rules and in our regulation. We will not do that.

Our needs for regulating this law have been made known to the powers that be. The longer it takes to get the funding and the personnel to properly do the job – the longer it will be to implement this law.

I know that the state is in a terrible financial crisis! Everyone wants the tax money yesterday. I don't blame them. The state needs it. But the truth is that there is no money unless you create a proper system.

You cannot produce a video gaming industry with a snap of the finger.

We are going to do this right. Some have suggested to “cut and paste the rules”. At the IGB, we do not cut and paste. No short cuts will be taken. We will do this right and we will need to be funded properly.

ADMINISTRATOR'S COMMENTS –

Staff has been working diligently with the rules, applications and RFP's. We will continue to work on these issues. A special meeting will be held November 6, 2009 to hear public commentary about the rules.

GENERAL COUNSEL COMMENTS –

We are today presenting a partial set of proposed rules. There are a number of areas that are not covered by the proposed rules, such as advertising, promotional activity, transferring of ownerships, seizure issues, inspection of locations, technical matters, etc. Those matters are still on the drawing board. We are anxious to have a testing lab on board.

As an overview there are 8 subparts and 50 sections.

Subpart A: General Provisions

§1800.110 Definitions

This is a work in progress. This section defines veterans and fraternal organizations, residency and associated video gaming equipment. There are many more subjects that must be added to this.

- §1800.115 Gender
- §1800.120 Inspection

Subpart B: Duties of Licensees

This is a lengthy attempt to provide a high level of detail from potential applicants.

- §1800.210 General Duties of All Video Gaming Licenses

This sections complies with all laws and regulations.

- §1800.220 Continuing Duty to Report Violations

This section goes on to address key persons and individuals that are required to disclose all information.

- §1800.230 Duties of Licensed Manufacturers

- §1800.240 Duties of Licensed Distributors

- §1800.250 Duties of Licensed Video Terminal Operators

- §1800.260 Duties of Licensed Technicians

- §1800.270 Duties of Licensed Establishments

This is addressing gaming locations.

Subpart C: Standards of Conduct for Licensees

- §1800.310 Grounds for Disciplinary Actions

Sets forth conduct that will be subject to the applicant or licensee for disciplinary action.

- §1800.320 Minimum Standards for Use Agreements

Specifically we are suggesting that use agreements are required between the operator and the establishment. This is a hold harmless provision.

Subpart D: Licensing Qualifications

- §1800.410 Coverage of Subpart

- §1800.420 Qualifications for Licensure

The terminal operator must have the financial ability to finance the license.

- §1800.430 Persons with Significant Influence or Control

Sets forth what the expectations are and who they are. Any person associated with a liquor license; we will identify as the controller of the license. This is subject to discipline and action taken by the Board.

Subpart E: Licensing Procedures

Applications fees, information necessary that staff requires.

- §1800.510 Coverage of Subpart
- §1800.520 Form of Application
- §1800.530 Submission of Application
- §1800.540 Application Fees
- §1800.550 Consideration of Applications by the Board
- §1800.560 Issuance of License
- §1800.570 Renewal of License
- §1800.580 Renewal Fees and Dates

Subpart F: Denials of Applications for Licensure

This is similar to the concept of the casino rules.

- §1800.610 Coverage of Subpart
- §1800.615 Requests for Hearing Regarding Denial of Application
- §1800.620 Appearances
- §1800.625 Appointment of Administrative Law Judge
- §1800.630 Discovery
- §1800.635 Subpoenas
- §1800.640 Motions for Summary Judgment
- §1800.650 Proceedings
- §1800.660 Evidence
- §1800.670 Prohibition on Ex Parte Communication
- §1800.680 Sanctions and Penalties
- §1800.690 Transmittal of Record and Recommendation to the Board
- §1800.695 Status of Applicant for Licensure Upon Filing Request for Hearing

Subpart G: Disciplinary Actions Against Licensees

This is similar to the casinos with one major exception, with the casino the board initiates the disciplinary action. In these rules for video poker, the Administrator will provide notice that disciplinary action will be imposed against them. It will go on to describe the provisions that are applicable. It will describe what will happen if there is a failure to respond.

- §1800.710 Coverage of Subpart
- §1800.715 Notice of Proposed Disciplinary Action Against Licensees
- §1800.720 Hearings in Disciplinary Actions
- §1800.725 Appearances
- §1800.730 Appointment of Administrative Law Judge
- §1800.735 Discovery

§1800.740	Subpoenas
§1800.745	Motions for Summary Judgment
§1800.750	Proceedings
§1800.760	Evidence
§1800.770	Prohibition on Ex Parte Communication
§1800.780	Sanctions and Penalties
§1800.790	Transmittal of Record and recommendation to the Board

Subpart H: Locations of Video gaming Terminals In Licensed Video Gaming Establishments

§1800.810 Location and Placement of Video Gaming Terminals

This follows what the requirements are in the Act. Places responsibility on the terminal operators as well as the locations for maintenance and oversight of the terminals. If minors are present they must be segregated into an area where there is no access to the video poker terminals.

§.810(d)

This section identifies the Administrator as having the discretion to make a determination relative to a business that appears to be a single business but is a co-mingled ownership and can limit such business with a maximum number of video terminals. If the Administrator's determination is contested the rules provide a matter of relief that can be taken up with the Board.

Copies of the Emergency Rules will be made available by Monday morning, October 19th.

Emergency rules are in effect for 150 days. There will be a 45 day period for public comment. All comments will be brought to the Board. A special meeting will be held on November 6, 2009 for the public to comment.

Member Gardner noted that self exclusion is not covered by the Emergency Rules and this topic will be further addressed.

Member Gardner stated that in the matter of disciplinary actions, the Board and Licensee should be notified in that respect. Member Gardner asked if one entity can hold more than one license, such as manufacturer, distributor and supplier, General Counsel Fries stated that yes they may but must pay 3 different license fees. He also stated that there are major restrictions referencing these matters.

Member Gardner referenced the cashing of third party checks, he voiced his opinion that establishments should not cash 3rd party checks. Member Gardner felt that this should be enforced.

Member Gardner asked who pays the operator fee; General Counsel Fries stated that the operator pays the terminal operating fee. General Counsel Fries further stated that the establishments have to pay an annual fee stated in the licensing section of the Emergency Rules.

Member Winkler echoed what the Chairman said in his opening comments that staff has done a superb job. Member Winkler went on to say that the Gaming Board has not been dragging their feet. The legislature has not supplied funding or staff for this enormous task that we are being faced with.

BOARD POLICY ITEMS –

- Video Gaming – Discussion of Proposed Rulemaking
 - Proposed Emergency Rules (Partial)

Member Winkler moved to authorize the adoption of the following proposed rules regarding video gaming on an emergency basis: 1800.110, 1800.115, 1800.120, 1800.210, 1800.220, 1800.230, 1800.240, 1800.250, 1800.260, 1800.270, 1800.310, 1800.320, 1800.410, 1800.420, 1800.430, 1800.510, 1800.520, 1800.530, 1800.540, 1800.550, 1800.560, 1800.570, 1800.580, 1800.610, 1800.615, 1800.620, 1800.625, 1800.630, 1800.635, 1800.640, 1800.650, 1800.660, 1800.670, 1800.680, 1800.690, 1800.695, 1800.710, 1800.715, 1800.720, 1800.725, 1800.730, 1800.735, 1800.740, 1800.745, 1800.750, 1800.760, 1800.770, 1800.780, 1800.790 and 1800.810.

Member Winkler further moved to authorize staff to submit these proposed rules regarding video gaming for First Notice Filing with the Secretary of State upon final review and approval by the Administrator. The motion was seconded by Member Gardner. The Board approved the motion unanimously by roll call vote.

At 11:00 a.m. Member Winkler motioned to adjourn while Member Gardner seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator